

Auditing Procedures Report V1.04

Reset Form

Email

Issued under Public Act 2 of 1968, as amended.

Unit Name	MILLERSBURG	County	PRESQUE ISLE	Type	VILLAGE	MuniCode	
Opinion Date-Use Calendar	Jun 27, 2008	Audit Submitted-Use Calendar	Jul 31, 2008	Fiscal Year-Use Drop List	2008		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

- ☒ 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
- ☒ 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
- ☐ 3. Were the local unit's actual expenditures within the amounts authorized in the budget?
- ☒ 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
- ☒ 5. Did the local unit adopt a budget for all required funds?
- ☒ 6. Was a public hearing on the budget held in accordance with State statute?
- ☒ 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
- ☒ 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
- ☒ 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
- ☒ 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
- ☒ 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
- ☒ 12. Is the local unit free of repeated reported deficiencies from previous years?
- ☒ 13. Is the audit opinion unqualified? 14. If not, what type of opinion is it?
- ☒ 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
- ☒ 16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
- ☒ 17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
- ☒ 18. Are there reported deficiencies? ☒ 19. If so, was it attached to the audit report?

General Fund Revenue: \$ 84,897.00

General Fund Expenditure: \$ 95,166.00

Major Fund Deficit Amount: \$ 0.00

General Fund Balance: \$ 36,631.00

Governmental Activities
Long-Term Debt (see
instructions):

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	ANTHONY	Last Name	HENNING	Ten Digit License Number	1101025885		
CPA Street Address	215 SOUTH COURT	City	GAYLORD	State MI	Zip Code 49735	Telephone	+1 (989) 732-1156
CPA Firm Name	MIDWEST PROFESSIONALS	Unit's Street Address	215 SOUTH COURT	City	GAYLORD	LU Zip	49735

VILLAGE OF MILLERSBURG
Annual Financial Statements
For the Fiscal Year Ended March 31, 2008

Village of Millersburg

Table of Contents

Independent Accountants' Audit Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	14
Statement of Activities	15
Fund Financial Statements	
Governmental Funds:	
Balance Sheet	16
Statement of Revenue, Expenditures, and Changes in Fund Balances	17
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Proprietary Fund: Water Department	
Statement of Net Assets	19
Statement of Revenues, Expenses, and Changes in Net Assets	20
Statement of Cash Flows	21
Notes to the Financial Statements	22
Independent Auditors' Report Over Internal Control Over Financial Reporting And on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance With Governmental Auditing Standards	36
Required Supplemental Information	
Budgetary Comparison Schedule - General Fund	40
Budgetary Comparison Schedule - Major Street Fund	41
Budgetary Comparison Schedule - Local Street Fund	42
Budgetary Comparison Schedule - Water Fund	43

Midwest Professionals, P.L.L.C.

Certified Public Accountants

215 South Court Avenue, Gaylord, MI 49735
989-732-1156 Fax 989-731-2541

INDEPENDENT AUDITORS' REPORT

To the Village Council of
The Village of Millersburg
Millersburg, Michigan

We have audited the accompanying financial statements of the governmental activities and the business-type activities of the Village of Millersburg as of and for the years ending March 31, 2008, as listed in the table of contents. These financial statements are the responsibility of the Village of Millersburg's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities of the Village of Millersburg, as of March 31, 2008, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated, June 27, 2008 on our consideration of Village of Millersburg's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

*Member of American Institute of Certified Public Accountants
Member of Michigan Association of Certified Public Accountants*

Midwest Professionals, P.L.L.C.

Certified Public Accountants

*215 South Court Avenue, Gaylord, MI 49735
989-732-1156 Fax 989-731-2541*

To the Village Council of
The Village of Millersburg
Page 2

The management's discussion and analysis, on pages 3 through 13 and the budgetary comparison information on pages 39 through 42, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Midwest Professionals
P.L.L.C.*

Midwest Professionals, P.L.L.C.
Gaylord, Michigan
June 27, 2006

*Member of American Institute of Certified Public Accountants
Member of Michigan Association of Certified Public Accountants*

VILLAGE OF MILLERSBURG

Management Discussion and Analysis

This section of The Village of Millersburg's annual financial report presents our discussion and analysis of The Village's financial performance during the fiscal year that ended on March 31, 2008. Please read it in conjunction with The Village's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The total cost of basic programs, excluding capital outlay and debt payments was \$131,805
- Revenues were at \$121,031 while expenses, capital outlay and debt payments were \$143,654
- The Village is paying on a lease with Ford Motor Company for a plow truck that is being rented by the Major and Local Street funds.
- The Village reduced its outstanding long-term debt by \$9,589.
- The Village has a positive fund balance in the General Fund of \$36,631.
- The Village has positive fund balances in the Major and Local Street funds of \$1,118 and \$13,159 respectively.
- The Water fund has a positive net asset balance of \$413,283.

OVERVIEW OF THE FINANCIAL STATEMENTS

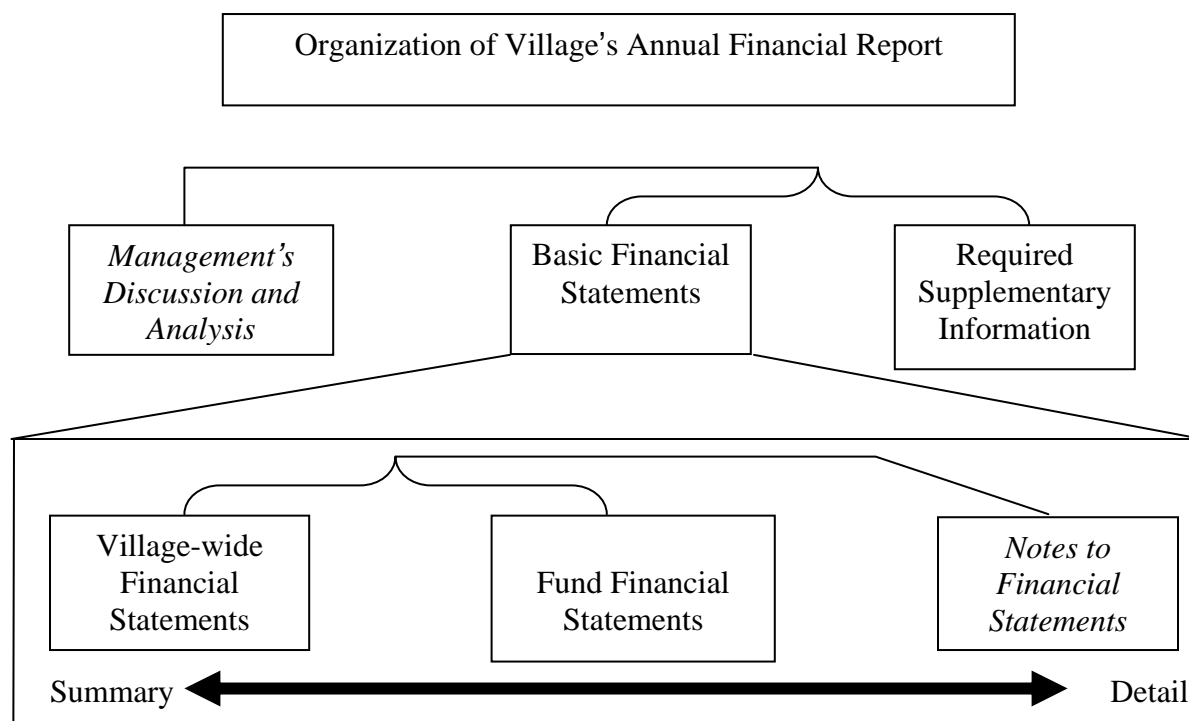
This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements which include two kinds of statements that present different views of the Village, and required supplementary information.

- The first two statements are Village-wide financial statements that provide both short-term and long-term information about The Village's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Village, reporting the Village's operations in more detail. The governmental fund statements tell how basic services such as clerk and treasurer activities, board activities, building & grounds maintenance and street light operations were financed. The financial statements also include notes that explain some of the information in the statements and provide more detailed data.
- The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of The Village's budget for the year.

VILLAGE OF MILLERSBURG

Management Discussion and Analysis

The following chart illustrates how the various parts of this annual report are arranged and related to one another.



Village-wide financial statements. The *Village-wide financial statements* are designed to provide readers with a broad overview of the Village's finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all of the Village's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *statement of activities* presents information showing how the Village's net assets changed during the recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

VILLAGE OF MILLERSBURG

Management Discussion and Analysis

Both of the Village-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (*Governmental Activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*Business-type Activities*). The governmental activities of the Village include general government, public works (*which includes the public works expenses for Major and Local Streets*) and community promotions. The business-type activities of the Village are for Water distribution to the community.

The Village-wide financial statements can be found on pages 14 & 15 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two of three categories normally used by governments: *governmental funds* and *proprietary funds*. The third category, *fiduciary funds*, is not currently used by the Village.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the Village-wide financial statements. However, unlike the Village-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Village-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the Village-wide financial statements. By doing so, readers may better understand the long-term impact of the Village's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, major street fund, and the local street fund. These statements can be found on pages 16 & 17 of this report.

The Village adopts an annual budget for its general fund, major street fund, and local street fund. A budgetary comparison statement has been provided for the general fund, major street fund and local street fund. These statements can be found on pages 40 – 43 of this report.

VILLAGE OF MILLERSBURG

Management Discussion and Analysis

Proprietary funds. The Village maintains one proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the Village-wide financial statements. The Village uses the enterprise fund to account for its Water Department operations.

Proprietary funds provide the same type of information as the Village-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 19 - 21 of this report. A budgetary comparison can be found on page 43 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. As was mentioned earlier, the Village does not currently have a fiduciary fund.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the Village-wide and fund financial statements. The notes to the financial statements can be found on page 22 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Village's budgets. Comparison statements are provided to show budget to actual information and related variances. The required supplementary information statements can be found starting on page 40 of this report.

VILLAGE-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village, assets exceeded liabilities by \$625,012 at the close of the most recent fiscal year.

By far the largest portion of the Village's net assets (85%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

VILLAGE OF MILLERSBURG

Management Discussion and Analysis

An additional portion of the Village's net assets (6%) represents resources that are subject to external or internal restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$57,841 may be used to meet the Village's ongoing obligations to citizens and creditors.

There was a decrease of \$12,317 in unrestricted net assets reported by the business-type activity (Water Department) due to annual depreciation expense of \$20,892.

Governmental Activities. Governmental activities decreased the Village's net assets by \$21,494, thereby accounting for 64% of the total decrease in the net assets of the Village. Key elements of this decrease are as follows:

- Interest expenses paid on the Capital Lease Obligations for a new truck which is being rented to the Major and Local Street Funds.
- Depreciation expenses charged for amortization of the new truck and Village owned capital assets to include buildings, equipment, streets, sidewalks, and the bridge.
- Street Preservation expenses in the Major and Local Highway operations.

Business-type activities. Business-type activities decreased the Village's net assets by \$12,317 accounting for 16% of the total decrease in the Village's net assets. Key elements of this decrease are as follows:

- Interest paid on debt for the Water system infrastructure.
- Depreciation expenses charged for amortization of Water Department capital assets.
- Well equipment expenses

The previous discussion in the **Village-Wide Financial Analysis** section is about the financial information found in the schedules presented on the next page; namely the *Summary of The Village's Net Assets* and the *Summary of The Village's Changes in Net Assets*.

VILLAGE OF MILLERSBURG

Management Discussion and Analysis

Summary of The Village's Net Assets

	Governmental Activities		Business-type Activities		Totals	
	3/31/2008	3/31/2007	3/31/2008	3/31/2007	3/31/2008	3/31/2007
Current Assets	\$ 58,306	\$ 79,669	\$ 48,619	\$ 56,718	\$ 106,925	\$ 136,387
Noncurrent Assets	190,496	198,957	533,342	545,432	723,838	744,389
Total Assets	248,802	278,626	581,961	602,150	830,763	880,776
Current Liabilities	7,398	6,139	4,679	9,551	\$ 12,077	\$ 15,690
Long-term Debt	29,675	39,264	164,000	167,000	193,675	206,264
Total Liabilities	37,073	45,403	168,679	176,551	205,752	221,954
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	160,821	159,693	369,342	378,432	530,163	538,125
Restricted	15,603	28,521	21,405	21,069	37,008	49,590
Unrestricted	35,306	45,010	22,535	26,098	57,841	71,108
Total Net Assets	\$ 211,730	\$ 233,224	\$ 413,282	\$ 425,599	\$ 625,012	\$ 658,823

Summary of The Village's Changes in Net Assets

	Governmental Activities		Business-type Activities		Totals	
	3/31/2008	3/31/2007	3/31/2008	3/31/2007	3/31/2008	3/31/2007
Revenues:						
Program Revenues:						
Charges for Services	\$ 11,061	\$ 10,302	\$ 40,620	\$ 38,779	\$ 51,681	\$ 49,081
Operating Grants & Contributions	44,240	47,534	-	-	44,240	47,534
General Revenues:						
Property Taxes	25,334	23,911	-	-	25,334	23,911
State-shared Revenues	22,489	22,531	-	-	22,489	22,531
Other:						
Interest & Other	17,908	34,103	496	796	18,404	34,899
Total Program Revenues	121,032	138,381	41,116	39,575	162,148	177,956
Expenses:						
General Government	60,378	63,685	-	-	60,378	63,685
Public Works	15,845	23,569	-	-	15,845	23,569
Public Works - Act -51	48,488	50,311	-	-	48,488	50,311
Community Promotion	15,554	10,967	-	-	15,554	10,967
Interest on Debt	2,260	2,182	-	-	2,260	2,182
Water Service Expenses	-	-	53,432	60,974	53,432	60,974
Total Expenses	142,526	150,714	53,432	60,974	195,958	211,688
Decrease in Net Assets	\$ (21,494)	\$ (12,333)	\$ (12,317)	\$ (21,399)	\$ (33,811)	\$ (33,732)

VILLAGE OF MILLERSBURG

Management Discussion and Analysis

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Village's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Village's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$50,909. Of this total balance, \$35,306 is *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of \$15,603 in the fund balance is reserved to indicate that it is not available for new spending because it has already been committed; 1) to cover \$119 in the tax collections cash account, 2) to cover a community enrichment programs developed by the Village; namely the \$1,206 in "Community Youth Program", and 3) to cover the Major and Local Street Fund related fund balances for \$1,118 and \$13,159 respectively.

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, unreserved fund balance of the general fund was \$35,306, while total fund balance was \$36,631. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 37% of total general fund expenditures, while total fund balance represents 38% of that same amount.

The fund balance of the Village's general fund decreased by \$10,269 during the current fiscal year. The key factor for this increase is as follows:

- There was an increase in expenses to the youth organization and community promotions.
- There was an increase in expenses for equipment maintenance used for public works.

Proprietary fund. The Village's only proprietary fund provides the same type of information found in the Village-wide financial statements, but in more detail.

Unrestricted net assets of the Water Fund at the end of the year amounted to \$22,535. Other factors concerning the finances of this fund have already been addressed in the discussion of the Village's business-type activities.

VILLAGE OF MILLERSBURG

Management Discussion and Analysis

BUDGETARY HIGHLIGHTS

The Village prepared annual budgets for the year. The budget had not been modified throughout the year.

The following variances between actual results and budgeted expectations for the Village's governmental funds are of particular interest:

- The General fund showed a favorable total revenue variance of \$1,797 over budgeted amounts and an unfavorable total expenditure variance of \$12,065 over budgeted amounts for a net unfavorable variance of \$10,269
- The Major Street fund showed an unfavorable total revenue variance of \$517 under budgeted amounts, an unfavorable total expenditure variance of \$5,492 over budgeted amounts, and a favorable total transfer out variance of \$3,850 under budgeted amounts for a net unfavorable variance of \$2,159.
- The Local Street fund showed an unfavorable total revenue variance of \$549 under budgeted amounts, an unfavorable total expenditure variance of \$6,031 over budgeted amounts, and an unfavorable total transfer in variance of \$3,850 under the budgeted amount for a net unfavorable variance of \$10,430.

The overall result of budget variances for all governmental funds was a total unfavorable variance of \$22,858.

The Village had also prepared a budget for the Water fund to facilitate monitoring the proprietary fund's activities. The following variances between actual results and budgeted expectations for the Village's proprietary fund are of particular interest:

- The Water fund showed a favorable revenue variance of \$4,307 over the budgeted amount, a favorable total expense variance of \$4,172 under budgeted amounts, and a favorable total non-operating revenue variance of \$96 over the budgeted amount for a total net favorable variance of \$8,576.

VILLAGE OF MILLERSBURG

Management Discussion and Analysis

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

During prior years and by the end of fiscal year ending March 31, 2008, the Village has invested \$723,838 in capital assets (net of accumulated depreciation). Prior to March 31, 2004, capital assets and related depreciation had not been reported in the governmental funds. The Village-wide *statement of net assets* includes capital assets as part of its asset balance just like a private-sector business would (e.g., the Water fund). The Water fund business-type activity has always included its capital assets in its statement of net assets.

In order to report capital assets on the statement of net assets for governmental activities, it was necessary to compile information on capital assets acquired by the Village as far back as twenty years ago. Depreciation rules were applied using the straight-line method and useful lives appropriate for the asset to determine the net book values of assets still held by the Village. This investment is comprised of capital assets included in the categories listed in the following summary:

Summary of The Village's Capital Assets – Net of Depreciation

Governmental Activities:	
Land	\$ 51,064
Buildings	30,060
Furniture, Fixtures & Office Equip.	-
Capital Lease – Truck	35,635
Streets and Bridge Infrastructure	<u>73,737</u>
Total Governmental	190,496
Business-type Activities:	
Water Department Assets	<u>533,342</u>
Total Capital Asset – Net	<u>\$732,838</u>

Additional information on the Village's capital assets can be found in Note 5.

Major capital asset events during the current fiscal year included the following:

- All capital assets with net book values held by the Village were included in the Village-wide *statement of net assets* per GASB 34.
- Street Preservation work in Major & Local Streets and Water Department well work.

VILLAGE OF MILLERSBURG

Management Discussion and Analysis

Long-term Debt

At the end of the current fiscal year, the Village's governmental activities had total long-term debt of \$39,264 consisting of a capital lease for a new truck.

The Village's business-type activity (Water Department) had total long-term debt of \$167,000 consisting of a revenue bond due to the Department of Agriculture for the Water system infrastructure and equipment.

Summary of The Village's Outstanding Debt

Governmental Activities:	
Capital Lease - Truck	\$ 29,675
Business-type Activities:	
United States Dept. of Agriculture Revenue Bond	<u>164,000</u>
Total Debt	<u>\$193,675</u>

Additional information on the Village's long-term debt can be found in Note 8.

Major long-term debt events during the current fiscal year included the following:

- \$11,849 in Capital Lease obligations, consisting of \$9,589 in principal and \$2,260 in interest, were paid during the fiscal year on the truck capitalized by the Village as a capital asset in its *statement of net assets* under governmental activities.
- The business-type activity (Water Department) paid \$3,000 in principal and \$8,689 in interest to the United States Department of Agriculture to reduce its obligation on the Revenue Bond.

VILLAGE OF MILLERSBURG

Management Discussion and Analysis

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Village's financial forecast is static heading into the 2008/2009 Village year.

- The Village plans to continue the youth program during the next fiscal year and hopes to continue to receive funds.
- The Village may acquire the VFW Hall during the year.
- Water fees are expected to remain the same for the next fiscal year.
- It is expected that revenue sharing dollars from the state will continue to be an unpredictable source of funds in the future considering current economic conditions with the State of Michigan.
- Space and Administrative expenses, normally paid to the General Fund from the Major and Local Street Funds, have been suspended by the Board until such time as budgets will allow.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide its readers with a general overview of The Village's finances and to demonstrate The Village's accountability for the money it receives. If you have questions about this report or need additional information, contact The Village's office at:

Village of Millersburg
P.O. Box 135
5525 Main Street
Millersburg, Michigan 49759

Village Clerk
(989) 733-6337

VILLAGE OF MILLERSBURG

Statement of Net Assets

March 31, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and Cash Equivalents (Note 3)	\$ 29,047	\$ 23,561	\$ 52,608
Restricted Cash and Cash Equivalents (Note 3)	19,633	21,405	41,038
Accounts Receivable (Note 4)	5,190	3,653	8,843
Due from Business Type Entity (Note 6)	4,436	-	4,436
Capital Assets - Net of Depreciation (Note 5)	190,496	533,342	723,838
Total Assets	248,802	581,962	830,764
Liabilities			
Accounts Payable (Note 6)	5,530	243	5,773
Accrued Liabilities (Note 6)	1,868	-	1,868
Due to Government Entity (Note 6)	-	4,436	4,436
Long-term Debt			
Due In one Year (Note 8)			
Loan & Capital Lease Liabilities	10,450	3,000	13,450
Due In More Than One Year (Note 8)			
Loan & Capital Lease Liabilities	19,225	161,000	180,225
Total Liabilities	37,073	168,679	205,752
Net Assets (Note 9)			
Investment in Capital Assets - Net of Related Debt	160,821	369,342	530,163
Restricted For:			
Streets and Highways	14,278	-	14,278
Tax Account	119	-	119
Designated Activities	1,206	-	1,206
Business-type Activities	-	21,405	21,405
Unrestricted	35,306	22,535	57,841
Total Net Assets	\$ 211,730	\$ 413,282	\$ 625,012

The Notes to the Financial Statements are an Integral Part of this Statement.

VILLAGE OF MILLERSBURG

Statement of Activities For the Year Ended March 31, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
Functions/Programs						
Primary Government:						
General Government	60,378	11,061	-	(49,317)	-	(49,317)
Public Works	64,333	-	35,960	(28,373)	-	(28,373)
Community Promotions	15,554	-	8,280	(7,274)	-	(7,274)
Interest on Long-term Debt	2,260	-	-	(2,260)	-	(2,260)
Total Governmental Activities	142,525	11,061	44,240	(87,224)	-	(87,224)
Business-type Activities - Water	53,432	40,620	-	-	(12,812)	(12,812)
Total Primary Government	\$ 195,957	\$ 51,681	\$ 44,240	(87,224)	(12,812)	(100,036)
General Revenues:						
Property Taxes				25,334	-	25,334
State-shared Revenues				22,489	-	22,489
Investment Earnings - Interest				467	496	962
Other				17,441	-	17,441
Total General Revenues				65,730	496	66,226
Change in Net Assets				(21,494)	(12,317)	(33,811)
Net Assets - Beginning of the Year				233,224	425,599	658,823
Net Assets - End of the Year				\$ 211,730	\$ 413,282	\$ 625,012

The Notes to the Financial Statements are an Integral Part of this Statement.

VILLAGE OF MILLERSBURG

Governmental Funds Balance Sheet March 31, 2008

		Special Revenue Funds		Totals
	General Fund	Major Streets	Local Streets	Governmental Funds
Assets				
Assets				
Cash and Cash Equivalents (Note 3)	\$ 29,047	\$ -	\$ -	\$ 29,047
Restricted Cash and Cash Equivalents (Note 3)	1,325	4,078	14,230	19,633
Accounts Receivable (Note 4)	5,190	-	-	5,190
Due From Other Funds (Note 6)	5,808	-	-	5,808
Total Assets	<u>\$ 41,371</u>	<u>\$ 4,078</u>	<u>\$ 14,230</u>	<u>\$ 59,678</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable (Note 6)	\$ 2,872	\$ 1,914	\$ 744	\$ 5,530
Accrued Liabilities (Note 6)	1,868	-	-	1,868
Due To Other Funds (Note 6)	-	1,046	327	1,372
Total Liabilities	<u>4,740</u>	<u>2,960</u>	<u>1,070</u>	<u>8,769</u>
Fund Balances (Note 9)				
Reserved for:				
Streets and Highways	-	1,118	13,159	14,278
Tax Account	119	-	-	119
Designated Activities	1,206	-	-	1,206
Unreserved for:				-
General Fund	<u>35,306</u>	<u>-</u>	<u>-</u>	<u>35,306</u>
Total Fund Balances	<u>36,631</u>	<u>1,118</u>	<u>13,159</u>	<u>50,909</u>
Total Liabilities and Fund Balances	<u>\$ 41,371</u>	<u>\$ 4,078</u>	<u>\$ 14,230</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	190,496
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(29,675)
Net Assets - Governmental Activities	<u>\$ 211,730</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

VILLAGE OF MILLERSBURG
**Governmental Funds
Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended March 31, 2008**

		Special Revenue Funds		Total Governmental Funds
	General Fund	Major Streets	Local Streets	
Revenues				
Property Tax Revenues	\$ 25,334	\$ -	\$ -	\$ 25,334
State of Michigan - Revenue Sharing	22,489	-	-	22,489
Michigan Transportation Fund	-	25,491	10,469	35,960
Interest	312	42	112	467
Equipment rental	11,061	-	-	11,061
Grant to Community Youth	-	-	-	-
Contributions to Community Youth	4,280	-	-	4,280
Contributions From Gertz	4,000	-	-	4,000
Cost recovery	13,878	-	-	13,878
Other Income	3,543	-	20	3,563
Total Revenues:	84,897	25,533	10,601	121,031
Expenditures				
General Government	57,300	-	-	57,300
Public Works	10,462	28,007	20,481	58,950
Community Promotions	15,554	-	-	15,554
Capital Outlay	-	-	-	-
Debt Payments	11,849	-	-	11,849
Total Expenditures:	95,166	28,007	20,481	143,654
Excess of Revenue Over Expenditures	(10,269)	(2,474)	(9,880)	(22,622)
Other Financing Sources (Uses)				
Transfers - out	-	-	-	-
Transfers - in	-	-	-	-
Total Other Financing Sources (Uses):	-	-	-	-
Net Changes in Fund Balances	(10,269)	(2,474)	(9,880)	(22,622)
Fund Balances - Beginning of the Year	46,900	3,592	23,039	73,531
Fund Balances - End of the Year	<u>\$ 36,631</u>	<u>\$ 1,118</u>	<u>\$ 13,159</u>	<u>\$ 50,909</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

VILLAGE OF MILLERSBURG

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended March 31, 2008

Net Changes in Fund Balances - Total Governmental Funds \$ (22,622)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, these costs are allocated over their useful lives as depreciation.

Capital Outlay	\$ 13,285	
Depreciation	<u>(21,746)</u>	
		(8,461)

Payments for Capital Lease principal is an expenditure in the governmental funds, but are not in the statement of activities (where it reduces long-term debt)

Debt Payments	\$ 11,849	
Interest in Payments	<u>(2,260)</u>	
		9,589

Change in Net Assets of Governmental Activities \$ (21,494)

The Notes to the Financial Statements are an Integral Part of this Statement.

VILLAGE OF MILLERSBURG

Proprietary Fund Statement of Net Assets March 31, 2008

	<u>Water Fund</u>
Assets	
Current Assets	
Cash andCash Equivalents (Note 3)	\$ 23,561
Restricted Cash and Cash Equivalents (Note 3)	21,405
Accounts Receivable (Note 4)	<u>3,653</u>
Total Current Assets	48,619
Noncurrent Assets - Capital Assets Net of Depreciation	<u>533,342</u>
Total Assets	<u>581,962</u>
Liabilities	
Current Liabilities	
Accounts Payable (Note 6)	243
Due to Other Funds (Note 6)	4,436
Current Portion of Long-term Debt (Note 8)	<u>3,000</u>
Total Current Liabilities	7,679
Noncurrent Liabilities	
Long-term Debt - Net of Current Portion (Note 8)	<u>161,000</u>
Total Noncurrent Liabilities	<u>161,000</u>
Total Liabilities	<u>168,679</u>
Net Assets (Note 9)	
Investment in Capital Assets - Net of Related Debt	369,342
Restricted	21,405
Unrestricted	<u>22,535</u>
Total Net Assets	<u><u>\$ 413,283</u></u>

The Notes to the Financial Statements are an Integral Part of this Statement.

VILLAGE OF MILLERSBURG

**Proprietary Fund
Statement of Statement of Revenues, Expenses and
Changes in Net Assets
For the Year Ended March 31, 2008**

	<u>Water Fund</u>
Operating Income	
Water Fees	\$ 29,618
Hydrant and Other Rent Fees	<u>11,002</u>
Total Operating Income	40,620
Operating Expenses	
Operation Wages	4,380
Supplies	1,542
Utilities	2,557
Internet Fees	200
Equipment Rental	150
Depreciation	20,892
Water Testing	549
Contracted Services	644
Postage and Delivery	430
Equipment Repairs	1,185
Telephone	628
Training	94
Administrative Cost	5,000
Space Cost	5,500
Fringe Cost	861
Miscellaneous	<u>133</u>
Total Operating Expenses	<u>44,744</u>
Operating Income (Loss)	(4,123)
Nonoperating Revenue (Expense)	
Investment Income	496
Interest Expense	<u>(8,689)</u>
Total Nonoperating Revenue (Expense)	(8,193)
Income (Loss) Before Other Financing Sources (Uses)	(12,317)
Other Financing Sources (Uses)	-
Change in Net Assets	(12,317)
Net Assets - Beginning of the Year	<u>425,599</u>
Net Assets - End of the Year	<u><u>\$ 413,283</u></u>

The Notes to the Financial Statements are an Integral Part of this Statement.

VILLAGE OF MILLERSBURG

**Proprietary Fund
Statement of Cash Flows
For the Year Ended March 31, 2008**

	<u>Water Fund</u>
Cash Flows from Operating Activities	
Receipts from customers	\$ 39,444
Payments to vendors	(12,611)
Payments to employees	(4,380)
Payments to other Funds	<u>(11,987)</u>
Net Cash Provided by (Used in) Operating Activities	<u>10,466</u>
Cash Flows from Capital and Related Financing Activities	
Principal on Debt	(3,000)
Interest on Debt	<u>(8,689)</u>
Net Cash (Used in) Capital and Related Financing Activities	<u>(11,689)</u>
Cash Flows from Investing Activities	
Well Equipment	(8,802)
Interest Received	<u>496</u>
Net Cash Provided by Investing Activities	<u>(8,307)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(9,530)
Cash and Cash Equivalents - Beginning of the Year	<u>54,495</u>
Cash and Cash Equivalents - End of the Year	<u><u>\$ 44,966</u></u>
Statement of Net Assets Classification of Cash and Cash Equivalents	
Cash and Cash Equivalents	\$ 23,561
Restricted Cash and Cash Equivalents	<u>21,405</u>
Total Cash and Cash Equivalents	<u><u>\$ 44,966</u></u>
Reconciliation of Operating Income (Loss) to Net Cash From Operating Activities	
Operating Income	\$ (4,123)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:	
Depreciation	20,892
Changes in Assets and Liabilities	
Accounts Receivable	(1,430)
Due to Other Funds	(2,221)
Accounts Payable	<u>(2,651)</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ 10,466</u></u>

The Notes to the Financial Statements are an Integral Part of this Statement.

VILLAGE OF MILLERSBURG

Notes to the Financial Statements March 31, 2008

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Millersburg, Michigan (the “Village”) conform to accounting principals generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village:

Reporting Entity

The Village is located in Presque Isle County and was organized in 1901 and covers an area of approximately 1 square mile. The village operates under an elected Board comprised of a President, Treasurer, Clerk and six Trustees.

Government –wide and Fund Financial Statements

The government-wide (“Village-wide”) financial statements (i.e., the statement of net assets and statement of activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, normally supported by taxes and intergovernmental revenues, are reported separately from *business type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds even though the latter is excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

VILLAGE OF MILLERSBURG

Notes to the Financial Statements March 31, 2008

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Village-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this period, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

General Fund - The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. General Fund activities are financed by revenue from property taxes, state-shared revenue, and other sources.

VILLAGE OF MILLERSBURG

Notes to the Financial Statements March 31, 2008

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Major Streets Special Revenue Fund - The Major Streets Fund accounts for the resources of state gas and weight tax revenues, provided by the Michigan Transportation Fund, that are restricted for use on major streets.

Local Streets Special Revenue Fund - The Local Streets Fund accounts for the resources of state gas and weight tax revenues, provided by the Michigan Transportation Fund, that are restricted for use on local streets.

Water Fund - The Water Fund accounts for the activities of the water department system. This fund is financed primarily by user charges.

The Water Fund is considered a proprietary fund. Proprietary funds distinguish operating revenue from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our single proprietary fund relates to charges to customers for water related services. The water department recognizes water usage fees, hydrant rentals and hook-up fees intended to recover current costs (e.g., labor, maintenance and supplies) as revenue. Operating expenses for our proprietary fund includes the cost of services, administrative cost, fringe cost, space cost, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

The Village collects property taxes from its residents. Taxes are levied and become due and payable on July 1 of each year. The Village will collect these taxes until October at which time any unpaid tax bills are turned over to Presque Isle County Treasurer for final collections. On March 31 of each year, Presque Isle County determines the amount of levied taxes still due the Village since the previous October. At this time penalties and interest are assessed. The amount of uncollected taxes is disclosed as accounts receivable - delinquent taxes on the balance sheet. On March 31, 2008 the delinquent tax amount due from Presque Isle County was \$5,190 and should be received by the Village during the month of June, 2008. Total taxable value for the Village is \$3.8 million with an operating millage rate of 6.54750 which generated total tax revenue for the fiscal year of \$25,344.

VILLAGE OF MILLERSBURG

Notes to the Financial Statements March 31, 2008

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assets, Liabilities and Net Assets or Equity

Bank Deposits – The Village’s Cash and cash equivalents are considered to be cash on hand and are highly liquid. Cash and cash equivalents are comprised of checking accounts, savings accounts and certificates of deposit balances.

Cash Investments – When needed the Village investments only in certificates of deposit.

Restricted Assets – The Water Fund has two accounts that are restricted to facilitate paying the Long-term debt owed to the United States Department of Agriculture for water system capital assets. The general fund also has accounts which are restricted for property tax collections and other designated purposes for “Gertz Foundation” activities, “Random Acts of Kindness” activities, and “Community Youth Program” activities.

Receivables – There is a trade accounts receivable balance in the Water Fund for outstanding amounts due from customers for water fees, hydrant rental fees and hook-up fees. Pine Lumber Company owes the Village General Fund for Elm Street work. There also exists a property tax receivable for delinquent taxes that is paid to the Village by Presque Isle County during the month of June following the end of the fiscal year.

Activity between funds that are representative of amounts outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., administrative, space and fringe costs accrued on behalf of the fund by the general fund that are to be reimbursed to the general fund *or* amounts due to another fund that are required by law or regulation that has not yet been paid).

Capital Assets - Capital assets, which include property, plant, equipment and infrastructure (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

VILLAGE OF MILLERSBURG

Notes to the Financial Statements March 31, 2008

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Buildings, equipment, vehicles and infrastructure are depreciated using the straight-line method over the following useful lives:

Roads, Bridges and Sidewalks	20 years
Water Distribution System	40 years
Buildings and Building Improvements	40 years
Vehicles	5 to 7 years
Office Furnishings	5 to 7 years
Other Equipment	3 to 7 years

Long-term Obligations - In the government –wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

Prior to March 1st the Clerk submits to the Village Council a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted at the Village Hall to obtain taxpayer comments. Prior to the third week in March, the budget is legally enacted through passage of a resolution. All budget adjustments are approved by Village Board resolution.

VILLAGE OF MILLERSBURG

Notes to the Financial Statements March 31, 2008

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING - Continued

Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.

Budgets for the General, Special Revenue, and Capital Projects Funds (when the latter fund is required) are adopted on a modified accrual basis. Budgeted amounts are as originally adopted, or as amended by the Village Board.

The Village also established a budget for the Water Fund.

NOTE 3 - CASH AND CASH EQUIVALENTS

The Village considers all regular deposits and certificates of deposit as cash equivalents since they are highly liquid assets. All cash deposits of the Village are at FDIC insured banking institutions in the name of the Village of Millersburg. Act 217, PA 1982 authorizes the Village to deposit and invest in the accounts of federally insured banks, insured credit unions and savings and loan associations; bonds and other direct obligations of the United States, or an agency of instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance legal for rating agencies within the three highest classifications maturing not more than 270 days after the date of purchase, and involving no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. The Village's deposits are in accordance with statutory authority. The Governmental Accounting Standard Board (GASB) Statement No.3 risk disclosures for the Village's cash deposits are as follows:

The following is a schedule that shows cash and cash equivalent risk disclosure in terms of insured and uninsured balances:

	Carrying Amount	Bank Amount	FDIC Insured Amount	Uninsured Amount
Cash and Cash Equivalents	March 31, 2008	March 31, 2008		
Citizens National Bank	\$ 62,946	\$ 63,919	\$ 63,919	\$ -
Huron National Bank	30,700	28,674	28,674	-
Total Cash	<u>\$ 93,646</u>	<u>\$ 92,593</u>	<u>\$ 92,593</u>	<u>\$ -</u>

VILLAGE OF MILLERSBURG

Notes to the Financial Statements March 31, 2008

NOTE 4 – RECEIVABLES

The Delinquent Property Taxes receivable account, which has a balance of \$5,190 as of March 31, 2008. This balance is paid to the Village during the month of June by Presque Isle County. The Water Department had an accounts receivable balance of \$3,653 for water fees due from customers as of March 31, 2008.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended March 31, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not depreciated:				
depreciated:				
Land	\$ 51,064	\$ -	\$ -	\$ 51,064
Total capital assets, not being depreciated:	51,064	-	-	51,064
Capital assets being depreciated:				
Buildings	66,146	-	-	66,146
Furniture and Fixtures	8,432	-	-	8,432
Office Equipment	6,704	-	-	6,704
Capital Lease - Truck	88,040	-	-	88,040
Streets and Bridge Infrastructure	114,152	13,285	-	127,437
Total Assets Being Depreciated	283,474	13,285	-	296,759
Less accumulated depreciation for:				
Buildings	(34,432)	(1,654)	-	(36,086)
Furniture and Fixtures	(7,008)	(1,424)	-	(8,432)
Office Equipment	(6,704)	-	-	(6,704)
Capital Lease - Truck	(39,828)	(12,577)	-	(52,405)
Streets and Bridge Infrastructure	(47,609)	(6,091)	-	(53,700)
Total accumulated depreciation	(135,581)	(21,746)	-	(157,327)
Total capital assets, being depreciated, net	147,893	(8,461)	-	139,432
Governmental activities capital assets, net	\$ 198,957	\$ (8,461)	-	\$ 190,496

VILLAGE OF MILLERSBURG

Notes to the Financial Statements March 31, 2008

NOTE 5 – CAPITAL ASSETS – Continued

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities:				
Capital assets, not depreciated:				
depreciated:				
Land	\$ 2,650	\$ -	\$ -	\$ 2,650
Total capital assets, not being depreciated:	2,650	-	-	2,650
Capital assets being depreciated:				
Water Equipment	777,000	8,802	-	785,802
Water Utility System	9,195	-	-	9,195
Major Repairs	12,500	-	-	12,500
Total Assets Being Depreciated	798,695	8,802	-	807,497
Less accumulated depreciation for:				
Water Equipment	(245,895)	(20,563)	-	(266,458)
Water Utility System	(9,195)	-	-	(9,195)
Major Repairs	(823)	(329)	-	(1,152)
Total accumulated depreciation	(255,913)	(20,892)	-	(276,805)
Total capital assets, being depreciated, net	542,782	(12,090)	-	530,692
Business-type activities capital assets, net	\$ 545,432	\$ (12,090)	-	\$ 533,342

Depreciation expense was charged to functions of the primary government as follows:

Depreciation for:

Governmental Activities	3,078
Public Works – Equipment and Infrastructure	<u>18,668</u>
	21,746

Depreciation for:

Water Department Water System	20,892
-------------------------------	--------

VILLAGE OF MILLERSBURG

Notes to the Financial Statements March 31, 2008

NOTE 6 – PAYABLES & ACCRUALS/ INTERFUND RECEIVABLES & PAYABLES / TRANSFERS

Accounts payable balances are for vendor balances that were due at March 31, 2008.

Accrued liabilities are payroll related liabilities that were due at March 31, 2008.

Detail of due from/to other fund balances at March 31, 2008, is as follows:

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 5,808	Major Street	\$ 1,046
		Local Street	327
		Water Department	4,436
	<u>5,808</u>		<u>5,808</u>
Local Street	-	Major Street	-
	<u>\$ 5,808</u>		<u>\$ 5,808</u>

NOTE 7 - RETIREMENT PLAN

The Village initiated a money purchase plan effective as of 7/1/91. The trustee/agent is the Lappan Insurance Agency, Alpena, Michigan. Under the terms of the pension plan the Village will fund the plan at 14% of gross payroll. During the fiscal year ending March 31, 2008 the Village contributed a total of \$3,409 to the plan which represents \$3,284 for 14% of \$23,457 in gross wages for those who were eligible and a \$125 renewal charge for the plan. Summer help for the youth program were not included.

VILLAGE OF MILLERSBURG

Notes to the Financial Statements March 31, 2008

NOTE 8 - LONG-TERM DEBT

Long-term liability activity for the fiscal year ended March 31, 2008, was as follows:

	Beginning Balance	Additions	Payments	Ending Balance
Governmental Activities:				
Capital Lease Liability - Truck	\$ 39,264	\$ -	\$ 9,589	\$ 29,675
	<u>\$ 39,264</u>	<u>\$ -</u>	<u>\$ 9,589</u>	<u>\$ 29,675</u>
Business-type Activities:				
United States Dept of Agriculture	\$ 167,000	\$ -	\$ 3,000	\$ 164,000
Revenue Bond	<u>\$ 167,000</u>	<u>\$ -</u>	<u>\$ 3,000</u>	<u>\$ 164,000</u>

Capital Lease – Truck

The Village entered into a capital lease for a Sterling Dump Truck. The total lease price with fees came to \$88,040. The interest rate on the lease is 5.50% and the monthly payments are \$987. The lease will be complete after 84 payments in the fiscal year 2011. At the end of the lease, the Village will purchase the truck for one dollar. The following shows future scheduled minimum lease obligations until the lease is paid in full:

Fiscal Year Ending March 31	Payments	Interest Portion of Payments	Present Value Of Minimum Lease Payments
2009	11,849	1,399	10,450
2010	11,849	810	11,039
2011	8,885	699	8,186
Total	<u>\$ 32,583</u>	<u>\$ 2,908</u>	<u>\$ 29,675</u>

VILLAGE OF MILLERSBURG

Notes to the Financial Statements March 31, 2008

NOTE 8 - LONG-TERM DEBT - Continued

Water Department - Enterprise Fund

The long-term debt of the Village Water Department consists of a 40 year Revenue Bond issuance Water Supply System Revenue, 1993, in the amount of \$194,000 issued to the Rural Development - Farmers Home Administration, an agency of the United States Department of Agriculture. The interest rate of the bond is at 5.250% with estimated future maturities of:

<u>Fiscal Year Ending March 31</u>	<u>Principal</u>	<u>Interest</u>
2009	6,000	6,000
2010	6,000	6,000
2011	6,000	6,000
2012	6,000	6,000
2013	6,000	6,000
2014 to 2018	30,000	30,000
2019 to 2023	30,000	29,500
2024 to 2028	30,000	28,250
2029 to Maturity	44,000	34,900
Total	<u>\$ 164,000</u>	<u>\$ 152,650</u>

NOTE 9 - FUND BALANCES AND NET ASSETS

The following reserved fund balances are for capital assets net of depreciation and specific uses of donations made to the General Fund and corresponding cash amounts that are used exclusively by the General Fund and Special Revenue funds for designated purposes.

<u>Fund</u>	<u>Restricted Fund Balance</u>	<u>Reserved Net Assets</u>
<u>General Fund:</u>		
Capital Assets Net of Depreciation	\$ -	\$ 147,919
Current Tax Account	119	119
Community Youth Program	1,206	1,206
General Fund - Total	<u>1,325</u>	<u>149,244</u>
<u>Special Revenue Funds:</u>		
Major Street	1,118	1,118
Local Street	13,159	13,159
Special Revenue Fund - Total	<u>14,278</u>	<u>14,278</u>
Totals	<u>15,603</u>	<u>163,522</u>

VILLAGE OF MILLERSBURG

Notes to the Financial Statements March 31, 2008

NOTE 9 - FUND BALANCES AND NET ASSETS - Continued

The following shows the reserved and unreserved net assets of the Water Department enterprise fund.

	<u>3/31/2008</u>
Investment in Capital Assets - Net of Related Debt	\$ 369,342
Restricted Net Assets - Cash Investments	21,405
Unrestricted Net Assets	22,535
Total retained earnings	<u>\$ 413,283</u>

NOTE 10 – GASB 34 REPORTING MODEL – MARCH 31, 2005 - REQUIRED IMPLEMENTATION

Starting with the FYE 3-31-05, the Village was required to adopt a new accounting model based on GASB 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. GASB 34 significantly changes financial reporting for governmental entities. Two new Village-Wide financial statements are required in the new model, designed to provide more useful information. Governmental fund accounting statements are still used, but the general fixed assets and the long-term debt account groups are no longer used. General fixed assets and long-term debt are incorporated into the two new Village-wide financial statements. Reconciliations are necessary to show the differences between the Village-Wide statements and the fund accounting statements.

GASB 34 also requires that a Management Discussion and Analysis (MD&A) section and a Required Supplementary Information (RSI) section be included in an audit or review report. The MD&A is meant to be an objective and easily readable analysis of the Village’s financial activities prepared by Village management. The RSI requires that budgetary information be included after the notes to the financial statements. These budgetary information schedules will show the original budget, the final budget, the actual activities for the fiscal year and the variances between final budget and actual activities.

Comparative numbers for the Village’s Net Assets and Changes in Net Assets are displayed in the MD&A for the first time this fiscal year.

VILLAGE OF MILLERSBURG

Notes to the Financial Statements March 31, 2008

NOTE 11 – RECONCILIATION OF VILLAGE-WIDE AND FUND FINANCIAL STATEMENTS

1) Explanation of certain differences between the governmental fund balance sheet and the Village-wide statement of net assets

The governmental fund balance sheet included a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the Village-wide statement of net assets. One element of the reconciliation explains that:

“long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.”

Another element of the reconciliation explains that:

“capital assets used in governmental activities are not financial resources and therefore are not reported in the funds”

The following is an explanation of the differences stated above:

Capital Lease Liability Element		\$ (29,675)
Capital Assets Element:		
Capital Assets acquired in prior years	\$ 334,538	
Capital assets acquired during the current year	13,285	
Less: Accumulated Depreciation	<u>(157,327)</u>	
Total		<u>190,496</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>		<u>\$ 160,821</u>
Total Fund Balance - Total Governmental Funds		\$ 50,909
Net Reconciling Adjustment		<u>160,821</u>
Total Net Assets - Governmental Activities		<u>\$ 211,730</u>

VILLAGE OF MILLERSBURG

Notes to the Financial Statements March 31, 2008

NOTE 11 – RECONCILIATION OF VILLAGE-WIDE AND FUND FINANCIAL STATEMENTS- Continued

2) Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the Village-wide statement of activities

The governmental fund statement of revenues, expenditures and changes in fund balances included a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets – governmental activities* as reported in the Village-wide statement of activities. One element of the reconciliation explains that:

“Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.”

Another element of the reconciliation explains that:

“Payments for capital lease obligations is an expenditure in the governmental funds, but are not in the statement of activities (where it reduces long-term debt).”

The following is an explanation of the differences stated above:

Capital Outlay Element:

Capital assets acquired during the current year	\$ 13,285	
Less: Accumulated Depreciation	(21,746)	
Total		<u>\$ (8,461)</u>

Capital Lease Principal Payments Element

Debt Payments	\$ 11,849	
Less: Interest in Payments	(2,260)	
Total		<u>9,589</u>

Net adjustment to decrease *net changes in fund balance - total governmental funds* to arrive at *changes in net assets of governmental activities*

\$ 1,128

Net Changes in Fund Balances - Total Governmental Funds

\$ (22,622)

Net Reconciling Adjustment

1,128

Changes in Net Assets of Governmental Activities

\$ (21,494)

Midwest Professionals, P.L.L.C.

Certified Public Accountants

215 South Court Avenue, Gaylord, MI 49735
989-732-1156 Fax 989-731-2541

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Village Council of
The Village of Millersburg
Millersburg, Michigan

We have audited the basic financial statements of the Village of Millersburg as of and for the year ended March 31, 2008, and have issued our report dated June 27, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village of Millersburg's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Millersburg's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Millersburg's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village of Millersburg's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village of Millersburg's financial statements, that is more than inconsequential, will not be prevented or detected by the Village of Millersburg's internal control. We consider the deficiencies **08-1** & **08-2** described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Millersburg's internal control.

*Member of American Institute of Certified Public Accountants
Member of Native American Finance Officers Association*

Midwest Professionals, P.L.L.C.

Certified Public Accountants

215 South Court Avenue, Gaylord, MI 49735
989-732-1156 Fax 989-731-2541

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider finding **08-2** to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Millersburg's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Red Cliff Chippewa Housing Authority Board of Directors, management of Red Cliff Chippewa Housing Authority, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Midwest Professionals
P.L.L.C.

Midwest Professionals, P.L.L.C.

June 27, 2008
Gaylord, Michigan

Member of American Institute of Certified Public Accountants
Member of Native American Finance Officers Association

VILLAGE OF MILLERSBURG
Schedule of Findings
For the Year Ended March 31, 2008

Prior Year Audit Findings:

None

Current Year Audit Findings:

Internal Control Over Financial Reporting

Significant Deficiency

08-01 – Budgetary Controls

CONDITION: During the fiscal year ending March 31, 2008 the Village incurred expenses that exceeded budget line items in three of the Village's four funds which caused negative budget variances in those three funds.

CRITERIA: Village funds are to be expended per board established budgets. Budgets are tools designed to prevent the Village from spending too much and to preserve fund balances for future use and restrictions.

CAUSE: Effective periodic budget reviews had not been done to prevent spending in excess of established budgets.

EFFECT: Fund balances have been reduced due to spending in excess of planned amounts.

RECOMMENDATION: It is recommended that the Village board review the budget on a quarterly or more often basis to ensure that expenses are not exceeding budget line items. Necessary budget amendments and spending cut decisions must be made to prevent spending that could ultimately cause a deficit fund balance in one or more of the Village's funds.

VILLAGE OF MILLERSBURG
Schedule of Findings
For the Year Ended March 31, 2008

Internal Control Over Financial Reporting

Significant Deficiency
Considered to be Material Weakness

08-02 – Preparation of Financial Statements and Note Disclosures

CONDITION: As part of the audit, management requested us to prepare a draft of your financial statements, including related notes to the financial statements. Management reviewed, approved, and accepted responsibility for those financial statements prior to their issuance; however, management did not perform a detailed review of the financial statements.

CRITERIA: Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements, including note disclosures, in conformity with U.S. generally accepted accounting principles.

At times, management may choose to outsource certain accounting functions due to cost or training considerations. Such accounting functions and service providers must be governed by the control policies and procedures of the entity. Management is responsible for outsourced functions performed by a service provider as it would be for such functions performed internally. Specifically, management is responsible for management decisions and functions; for designating an individual with suitable skill, knowledge, or experience to oversee any outsourced services; and for evaluating the adequacy and results of those services and accepting responsibility for them.

CAUSE: Although a very experienced and capable bookkeeper of many years, the Clerk was not able to produce the financial statements and note disclosures at the year end due to time constraints inherent to a minimal staff and a need for some technical training.

EFFECT: The absence of controls over the preparation of the financial statements is considered a material weakness because more than a remote likelihood exists that a material misstatement of the financial statements could occur and not be prevented or detected by the entity's internal controls.

RECOMMENDATION: It is recommended that some additional training, when not cost prohibitive to the Village, be provided to one or more individuals in management at the Village to ensure that the financial statements and note disclosures can be generated in house in a more timely fashion.

VILLAGE OF MILLERSBURG

Required Supplemental Information Budgetary Comparison Schedule General Fund For the Year Ended March 31, 2008

Revenues	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Property Tax Revenues	\$ 23,500	\$ 23,500	\$ 25,334	\$ 1,834
State of Michigan - Revenue Sharing	22,500	22,500	22,489	(11)
Interest	200	200	312	112
Equipment rental	5,000	5,000	11,061	6,061
Grant & Contributions to Community Youth	-	-	4,280	4,280
Cost recovery	14,900	14,900	13,878	(1,022)
Other Income	17,000	17,000	7,543	(9,457)
Total Revenues	83,100	83,100	84,897	1,797
Expenditures				
General Government	57,407	57,407	57,300	107
Public Works	5,825	5,825	10,462	(4,638)
Community Promotions	8,020	8,020	15,554	(7,535)
Capital Outlay	-	-	-	-
Debt Payments	11,849	11,849	11,849	-
Total Expenditures	83,100	83,100	95,166	(12,065)
Excess of Revenues Over Expenditures	-	-	(10,269)	(10,269)
Other Financing Sources (Uses)				
Transfer in from Other Funds	-	-	-	-
Net Change in Fund Balance	-	-	(10,269)	(10,269)
Fund Balance - Beginning of the Year	46,900	46,900	46,900	-
Fund Balance - End of the Year	\$ 46,900	\$ 46,900	\$ 36,631	\$ (10,269)

The Notes to the Financial Statements are an Integral Part of this Statement.

VILLAGE OF MILLERSBURG

Required Supplemental Information Budgetary Comparison Schedule Major Streets For the Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Revenues				
Michigan Transportation Fund	\$ 26,000	\$ 26,000	25,491	\$ (509)
Interest	50	50	42	(8)
Total Revenues	<u>26,050</u>	<u>26,050</u>	<u>25,533</u>	<u>(517)</u>
Expenditures				
Public Works	22,515	22,515	28,007	(5,492)
Total Public Works	<u>22,515</u>	<u>22,515</u>	<u>28,007</u>	<u>(5,492)</u>
Excess of Revenues Over	<u>3,535</u>	<u>3,535</u>	<u>(2,474)</u>	<u>(6,009)</u>
Other Financing (Uses)				
Transfer to Local Streets	(3,850)	(3,850)	-	3,850
Total Other Financing (Uses)	<u>(3,850)</u>	<u>(3,850)</u>	<u>-</u>	<u>3,850</u>
Net Change in Fund Balance	<u>(315)</u>	<u>(315)</u>	<u>(2,474)</u>	<u>(2,159)</u>
Fund Balance - Beginning of the Year	<u>3,592</u>	<u>3,592</u>	<u>3,592</u>	<u>-</u>
Fund Balance - End of the Year	<u><u>\$ 3,277</u></u>	<u><u>\$ 3,277</u></u>	<u><u>\$ 1,118</u></u>	<u><u>\$ (2,159)</u></u>

The Notes to the Financial Statements are an Integral Part of this Statement.

VILLAGE OF MILLERSBURG

Required Supplemental Information Budgetary Comparison Schedule Local Streets For the Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Revenues				
Michigan Transportation Fund	\$ 11,000	\$ 11,000	10,489	\$ (511)
Interest	150	150	112	(38)
Total Revenues	<u>11,150</u>	<u>11,150</u>	<u>10,601</u>	<u>(549)</u>
Expenditures				
Public Works	14,450	14,450	20,481	(6,031)
Total Expenditures	<u>14,450</u>	<u>14,450</u>	<u>20,481</u>	<u>(6,031)</u>
Excess of Revenues Over	<u>(3,300)</u>	<u>(3,300)</u>	<u>(9,880)</u>	<u>(6,580)</u>
Other Financing (Uses)				
Transfer from Other Funds	3,850	3,850	-	(3,850)
Transfer Out to General	-	-	-	-
Total Other Financing (Uses)	<u>3,850</u>	<u>3,850</u>	<u>-</u>	<u>(3,850)</u>
Net Change in Fund Balance	550	550	(9,880)	(10,430)
Fund Balance - Beginning of the Year	23,039	23,039	23,039	-
Fund Balance - End of the Year	<u>\$ 23,589</u>	<u>\$ 23,589</u>	<u>\$ 13,159</u>	<u>\$ (10,430)</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

VILLAGE OF MILLERSBURG

Required Supplemental Information Budgetary Comparison Schedule

Water Fund

For the Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Water Fees	36,313	36,313	\$ 40,620	\$ 4,307
Total Revenues	36,313	36,313	40,620	4,307
Expenses				
Operating Expenses				
Operating Expenses	25,563	25,563	21,180	4,384
Administrative Costs	5,000	5,000	5,000	-
Space Costs	5,500	5,500	5,500	-
Fringe Costs	650	650	861	(211)
Total Operating Expenses	36,713	36,713	32,541	4,172
Operating Income	(400)	(400)	8,080	8,480
Nonoperating Revenue - Interest Income	400	400	496	96
Change in Net Assets Prior to Depreciation	-	-	8,576	8,576
* Non-cash Depreciation Expense	-	-	(20,892)	(20,892)
Change in Net Assets After Depreciation	-	-	(12,317)	(12,317)
Net Assets - Beginning of the Year	425,599	425,599	425,599	
Net Assets - End of the Year	\$ 425,599	\$ 425,599	\$ 413,283	\$ (12,317)

* Depreciation was not considered in the cash basis budget, but is included in this statement to facilitate reconciling the "Actual" column to the Statement of Revenues, Expenses and Changes in Net Assets for the Water Fund.

The Notes to the Financial Statements are an Integral Part of this Statement.